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COCHENOUR WILLANS

G O L D M I N E S , L I M I T E D

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ANNUAL REPORT



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1970/10/10

Aerial Photograph courtesy of
Jake Siegel
Red Lake, Ontario.

COCHENOUR WILLANS GOLD MINES, LIMITED

<i>Directors</i>	EDWARD C. COCHENOUR, <i>Toronto, Ont.</i> J. EDWIN J. FAHLGREN, <i>Cochénour, Ont.</i> FREDERICK J. MILLS, <i>Hamilton, Ont.</i> MURDOCK C. MOSHER, <i>Toronto, Ont.</i> RICHARD E. SHIBLEY, Q.C., <i>Toronto, Ont.</i> SAMUEL J. ZACKS, <i>Toronto, Ont.</i>
<i>Officers</i>	E. C. COCHENOUR, <i>Chairman of the Board</i> J. E. J. FAHLGREN, <i>President</i> S. J. ZACKS, <i>Vice-President</i> F. J. MILLS, <i>Secretary-Treasurer</i> C. V. MALTBY, C.A., <i>Assistant Secretary</i>
<i>General Manager</i>	J. E. J. FAHLGREN, <i>Cochénour, Ont.</i>
<i>Mine Manager</i>	JOHN D. JEFFRIES, B.Sc., P.Eng., <i>Cochénour, Ont</i>
<i>Mine Consultant</i>	WALTER F. BROWN, B.Sc., P.Eng., <i>Toronto, Ont.</i>
<i>Exploration Consultant</i>	ALBERT A. KOFFMAN, B.Sc., P.Eng., <i>Winnipeg, Man.</i>
<i>Registrar & Transfer Agents</i>	EASTERN & CHARTERED TRUST COMPANY 1901 Yonge Street Toronto 7, Ontario
<i>Bankers</i>	CANADIAN IMPERIAL BANK OF COMMERCE Toronto and Balmertown, Ontario
<i>Auditors</i>	THORNE, MULHOLLAND, HOWSON & MCPHERSON 111 Richmond Street West Toronto 1, Ontario
<i>Solicitors</i>	FRASER, BEATTY, TUCKER, MCINTOSH & STEWART 320 Bay Street Toronto 1, Ontario
<i>Executive Office</i>	Suite 1203 2200 Yonge Street Toronto 12, Ont.
<i>Mine Office</i>	Cochénour, Ontario

COCHENOUR WILLANS GOLD MINES, LIMITED

Report of the Directors

Your mine continues to undergo a series of operational adjustments as mentioned in our progress report of December 16, 1965.

The year 1965 was marked with a complete reorganization of the mining procedures to cut-and-fill methods now underway, as the nature of the ore structures change, a continued heavy development program, the deepening of No. 1 Shaft and the ore and waste pass systems, the completion of the Wilmar winze and additions to the milling plant.

The comprehensive report of the General Manager covers the operation and developments of the mine as well as the results of the work carried out on the properties of the subsidiary companies.

Production and Income

Gross production for the year was \$1,473,310 from 38,067 ounces of gold and 2,134 ounces of silver. The average price received for gold was \$37.73. An application for assistance at the rate of \$10.27 per ounce has been made under the provisions of the Emergency Gold Mining Assistance Act which is estimated to be \$400,383. Charges for use of plant services to Annco Mines Limited amounted to \$35,185. Interest and Dividends on investments totalled \$38,166.

Earnings and Dividends

Profit before providing for depreciation, deferred development and exploration was \$393,981. Net profit amounted to \$211,039.

Two dividends, one of four cents and one of six cents per share were paid in 1965, making a total disbursement of ten cents per share and aggregating \$334,066. The total dividends paid from inception to date amount to \$6,057,750.

A dividend of four cents per share has been declared payable on June 30, 1966 to shareholders of record June 15, 1966.

Annco Mines Limited

Your subsidiary Annco Mines began shipping ore on June 1, 1965 to the Cochenour mill on a limited break-in basis. Previously projected production plans were set back due to the need for a complete and immediate reorganization of mining methods. Likewise the installation of facilities to produce backfill and the planning for handling and placement of hydraulic backfill had to be made.

10,053 tons of stope and development ore was delivered to the Cochenour mill averaging 0.57 ounces gold per ton. 5,194 ounces of gold and 262 ounces of silver were recovered for a gross production of \$196,264.

Net profit from this ore amounted to \$15,069 after deducting amortization of deferred development in the amount of \$28,592.

Cochenour Willans now owns 1,600,000 shares of Annco Mines Limited or approximately 55% of the issued capital.

Wilmar Mines Limited

Wilmar development work continues on the 1300 and 2050 levels.

Following a program of raise development, revised ore calculations of the 1300 foot horizon mineralized zones indicates a tonnage potential of 1,419.3 tons per vertical foot with a grade of 0.28 ounces gold per ton and an estimated silver content of 1.72 ounces silver per ton.

An ore block presently under development on the 2050 level is very encouraging. The grade indicated in this raise is the best found to date on the Wilmar.

Cochenour Willans now owns 1,600,000 shares of Wilmar Mines or approximately 55% of the issued capital.

COCHENOUR WILLANS GOLD MINES, LIMITED

Consolidated Marcus Gold Mines Limited

To date underground exploration and development has not been successful in locating ore in economic quantity.

Depth exploration by drilling is underway. Results of geophysical survey indicates several conductors which will be investigated.

Authorized Capital and Financing

Pursuant to approval received at the last annual meeting the authorized capital of the company was increased from \$3,000,000 to \$4,000,000. Subsequently your company entered into various agreements whereby it sold 610,000 shares from its unissued capital for a total consideration of \$1,675,000 in cash. This provided your company with substantial funds for mill expansion, shaft deepening and exploration of the properties of its subsidiaries as well as a broad prospecting and exploration program.

Outside Exploration

Your Company entered into an arrangement with Selco Exploration Company Limited to conduct an aerial geophysical survey over selected areas of the Red Lake mining belt to provide a basis for future exploration.

Large areas were staked as a result of these surveys in addition to the large group of claims already held by the company, bringing the total number of claims held to 912.

A new company, Cochenour Explorations Limited was incorporated and 752 claims were sold to this company, in which your company will hold a controlling interest of 51%. A large scale exploration program of ground geophysics and diamond drilling is underway.

The Trout Bay Copper/Nickel group of 160 claims retained will be explored separately and Coin Lake Gold Mines, Limited will continue to participate with your company in this exploration.

Your company will also continue to participate in a prospecting syndicate in Saskatchewan with the United States Smelting, Refining and Mining Company and The Hanna Mining Company.

Outlook

The new mining methods introduced will control dilution of the ore and result in better grade, pro-

vide safe working conditions and an improvement in mining costs is anticipated. With an increase in tonnage, other costs including milling are expected to improve.

The change-over necessitated the retaining of personnel. What can be considered normal conditions will be fully in effect at the mine by July 1, 1966.

Your mine has always been a very complex mine with respect to its ore occurrences and refractory ores which never cease to present problems to the mining and milling staffs. Only exacting and imaginative geological study, constant research and hard work over the past 26 years made it the success it is. Your Directors have great faith in its future.

Directors

It is with sincere regret that we record the death during 1965 of Mr. Robert M. Elliot who, for the past eleven years, was a member of the Board of Directors of the Company.

During 1965 Mr. Richard E. Shibley, Q.C. of Toronto was elected to the Board of Directors.

Appreciation

The Board of Directors recognize the operating personnel of the Company as the greatest single factor in the Company's success under the especially trying conditions of the past year, and express their appreciation to Mr. John D. Jeffries, Mine Manager, the Department Heads and employees for their untiring efforts and contribution.

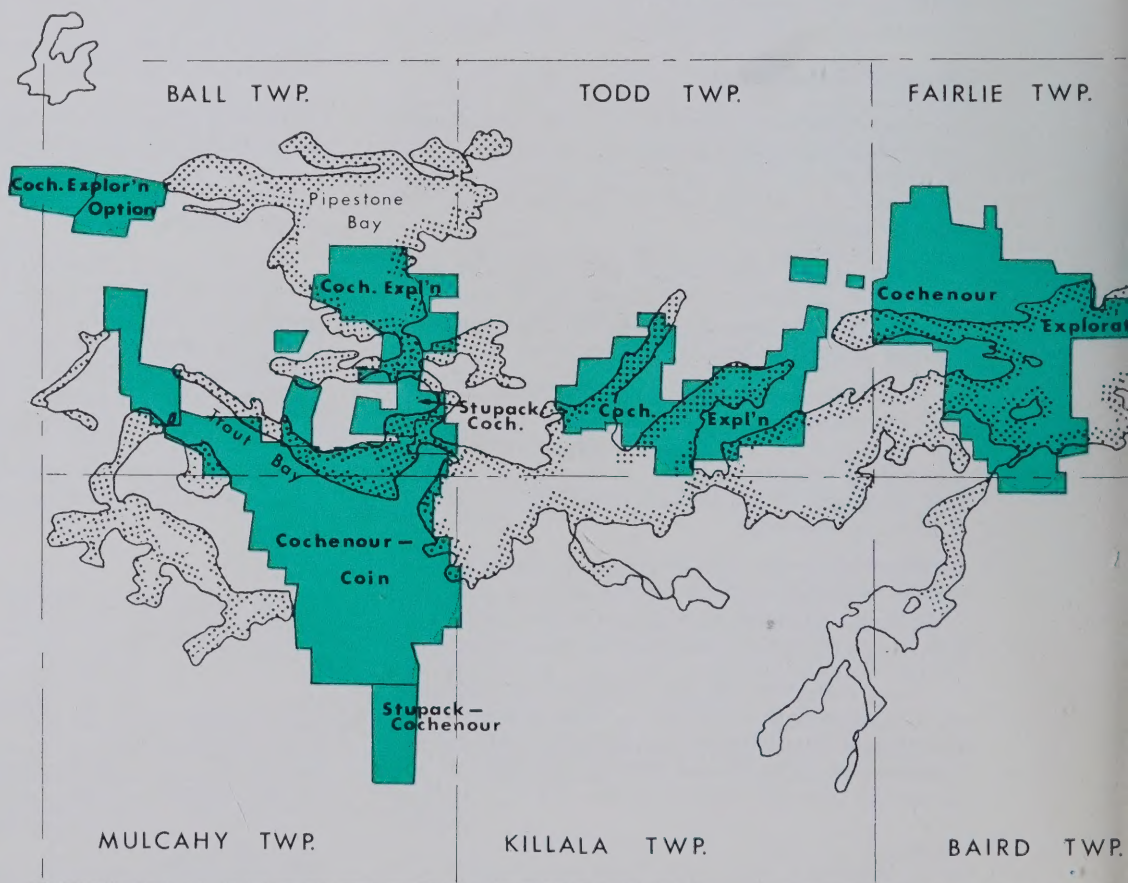
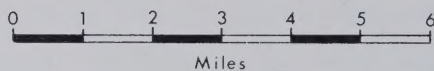
We express to the shareholders our thanks for their continued loyalty, patience and confidence.

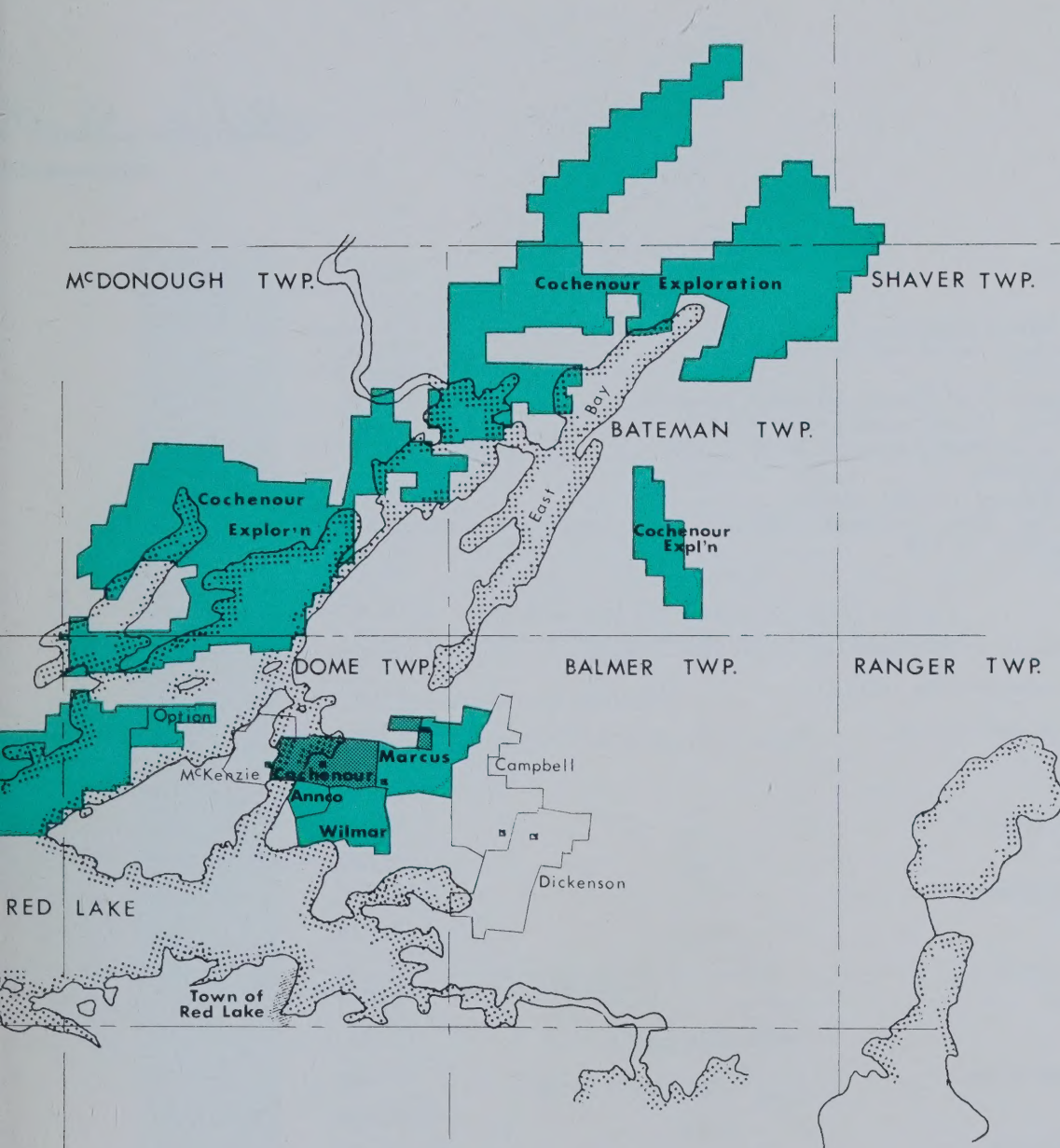
On behalf of the Board,

E. C. COCHENOUR, *Chairman.*

J. E. J. FAHLGREN, *President.*

May 30, 1966,
Suite 1203, 2200 Yonge Street,
TORONTO, Ontario.





COCHENOUR WILLANS GOLD MINES LTD.

Plan of Properties — Red Lake Area.

COCHENOUR WILLANS

(Incorporated under the law of the State of New York)

Balance Sheet

(With comparative figures for 1964)

	1965	1964
ASSETS		
CURRENT ASSETS:		
Cash and bank deposit receipts	\$ 634,511	\$ 20,682
Guaranteed investment receipts and short-term notes	400,000	—
Bullion	105,662	164,576
Estimated Emergency Gold Mining Assistance receivable	191,709	72,035
Marketable securities, at cost (market value \$46,613)	47,403	—
Government and government guaranteed bonds, at cost	—	218,983
Income taxes recoverable	—	102,907
Accounts receivable and accrued interest	42,271	20,236
Receivable from subsidiary companies	16,710	17,777
Materials and supplies, at cost	334,407	293,945
Prepaid expenses	25,734	16,072
	<u>1,798,407</u>	<u>927,213</u>
INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANIES (note 1)	1,440,424	971,669
COCHENOUR EXPLORATIONS LIMITED (note 2)	32,437	—
OTHER INVESTMENTS, at cost (note 3)	109,961	114,212
FIXED ASSETS, at cost:		
Buildings	1,916,186	1,811,794
Machinery and equipment	1,889,207	1,741,999
	<u>3,805,393</u>	<u>3,553,793</u>
Less Accumulated depreciation	2,645,674	2,441,334
	<u>1,159,719</u>	<u>1,112,459</u>
Deferred development	199,132	—
Less Amortization	19,913	—
	<u>179,219</u>	<u>—</u>
Mining claims and licenses	250,426	250,426
	<u>1,589,364</u>	<u>1,362,885</u>
	<u>\$4,970,593</u>	<u>\$3,375,979</u>

The accompanying notes are an integral part of these financial statements.

OLD MINES, LIMITED

(Incorporated in the Province of Ontario)

December 31, 1965

(Audited for 1964)

LIABILITIES

CURRENT LIABILITIES:

	1965	1964
Accrued wages	\$ 55,011	\$ 56,550
Accounts payable and accrued charges	215,270	160,592
Deposits by employees on houses	98,451	90,358
Ontario mining tax payable	—	16,629
	<u>368,732</u>	<u>324,129</u>
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS (note 4)	<u>299,600</u>	<u>299,600</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5):

Authorized, 4,000,000 shares of \$1.00 each		
Issued, 3,584,655 shares (2,974,655 shares in 1964)	3,584,655	2,974,655
Deduct Discount thereon (net)	1,028,445	2,093,445
	<u>2,556,210</u>	<u>881,210</u>
RETAINED EARNINGS	1,746,051	1,871,040
	<u>4,302,261</u>	<u>2,752,250</u>

Approved by the Board of Directors:

E. C. COCHENOUR, Director.

J. E. J. FAHLGREN, Director.

\$4,970,593

\$3,375,979

Integral part of this statement.

This is the balance sheet referred to in our report to the shareholders dated April 15, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Chartered Accountants.

COCHENOUR WILLANS GOLD MINES, LIMITED

Notes to Financial Statement

YEAR ENDED DECEMBER 31, 1965

1. INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANIES:

Shares, at cost:	1965	1964
Consolidated Marcus Gold Mines Limited	\$ 58,830	\$ 31,459
Wilmar Mines Limited	870,056	621,901
Annco Mines Limited	479,998	288,794
Advances to Consolidated Marcus Gold Mines Limited	31,540	29,515
	<u>\$1,440,424</u>	<u>\$ 971,669</u>

Because of the substantial minority interests it is not considered desirable to consolidate the accounts of these subsidiaries with those of the company. It is the intention of the company to submit the financial statements of its subsidiaries to its shareholders.

CONSOLIDATED MARCUS GOLD MINES LIMITED:

Under the terms of an agreement dated October 1, 1965, the company is committed to expend \$10,000 (of which \$7,610 had been expended as at December 31, 1965) on exploration and development of the property of Consolidated Marcus Gold Mines Limited within approximately six months, for which it is to receive 10,000 shares of the company.

Under the terms of a subsequent agreement dated January 17, 1966, the company is committed to expend an additional \$25,020 on exploration and development of the property of Consolidated Marcus Gold Mines Limited within approximately one year, for which it is to receive 41,700 shares of the company.

As at December 31, 1965 the company owned or was entitled to receive 1,736,610 free shares of Consolidated Marcus Gold Mines Limited and a further 249,995 shares held in escrow, to be released when the company has caused Consolidated Marcus Gold Mines Limited to bring its mining claims into production. Of the aforementioned 1,736,610 free shares, 17,000 are under option to employees of the company at a price of 50¢ per share.

WILMAR MINES LIMITED:

Under the terms of exploration and development agreements the company expended \$205,595 on the property of Wilmar Mines Limited for which it received 168,096 shares of that company. By a further agreement dated October 15, 1965 the company is committed to expend \$62,500 (of which \$42,560 had been expended as at December 31, 1965) on exploration and development, within approximately six months, for which it is to receive 50,000 shares of Wilmar Mines Limited.

As at December 31, 1965 the company owned or was entitled to receive 1,584,044 shares of Wilmar Mines Limited.

ANNCO MINES LIMITED:

Under the terms of exploration and development agreements the company expended \$191,204 on the property of Annco Mines Limited for which it received 191,204 shares of that company.

As at December 31, 1965 the company owned 1,600,000 shares of Annco Mines Limited.

2. COCHENOUR EXPLORATIONS LIMITED:

Cochenour Explorations Limited was incorporated as a private company under The Corporations Act of Ontario by Letters Patent dated January 17, 1966. Expenditures incurred by the company as at December 31, 1965 will be reimbursed as follows:

Shares in Cochenour Explorations Limited	\$ 16,435
Cash	16,002
	<u>\$ 32,437</u>

COCHENOUR WILLANS GOLD MINES, LIMITED

The expenditures of \$16,435 as at December 31, 1965 represent the cost of exploring certain properties in 1965. These properties are to be transferred to Cochenour Explorations Limited for which the company is to receive 149,996 shares of Cochenour Explorations Limited.

By an agreement dated January 21, 1966 the company is committed to expend \$105,000 within approximately five months on claims held by Cochenour Explorations Limited, for which it is to receive 105,000 shares of Cochenour Explorations Limited.

3. OTHER INVESTMENTS:	1965	1964
Coin Lake Gold Mines, Limited	\$ 43,311	\$ 43,311
Improvement District of Balmertown 5½% debentures maturing 1966-1976	38,000	43,000
Bonds deposited under power contract	9,925	9,176
Miscellaneous	18,725	18,725
	<u>\$ 109,961</u>	<u>\$ 114,212</u>

4. TAXES ON INCOME:

The balance of accumulated tax reductions applicable to future years represents the accumulated amount of taxes deferred to those future years when deductions allowable for tax purposes may be less than depreciation recorded in the accounts.

Under the provisions of the Income Tax Act, exploration expenditures and development incurred by the company on the properties of the subsidiaries are deductible from its income for the year and accordingly no taxes on income are payable for the current year.

5. CAPITAL STOCK:

By Supplementary Letters Patent dated June 14, 1965 the company's authorized capital was increased from \$3,000,000 to \$4,000,000 by creating an additional 1,000,000 shares with a par value of \$1.00 each ranking on a parity with the existing shares of the company.

Shares issued are as follows:	No. of shares and par value	Discount (premium)	Net
Balance at beginning of year	\$2,974,655	\$2,093,445	\$ 881,210
Issued during year for cash	610,000	(1,065,000)	1,675,000
BALANCE AT END OF YEAR	<u>\$3,584,655</u>	<u>\$1,028,445</u>	<u>\$2,556,210</u>

An option to purchase 15,000 shares of the capital stock of the company at the price of \$2.50 per share is outstanding to an officer of the company. The option expires June 30, 1967.

Statement of Retained Earnings

YEAR ENDED DECEMBER 31, 1965
(With comparative figures for 1964)

	1965	1964
Retained earnings at beginning of year	\$1,871,040	\$1,652,706
ADD:		
Net income for year	211,039	498,272
Profit on disposal of government bonds	6,841	10,064
Proceeds from sale of Consolidated Marcus Gold Mines Limited shares to employees under option	—	7,463
	<u>2,088,920</u>	<u>2,168,505</u>
DEDUCT:		
Dividends paid	334,066	297,465
Expenses relating to sale of shares	8,803	—
	<u>342,869</u>	<u>297,465</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$1,746,051</u>	<u>\$1,871,040</u>

COCHENOUR WILLANS GOLD MINES, LIMITED

Statement of Income

YEAR ENDED DECEMBER 31, 1965

(With comparative figures for 1964)

	1965	1964
REVENUE:		
Bullion production	\$1,473,310	\$2,155,653
OPERATING EXPENSES:		
Development	333,834	410,764
Mining	597,651	647,846
Milling	280,748	314,493
Shipping and marketing	10,831	15,419
Mine general	207,824	207,237
Executive office	46,649	41,069
Directors' fees	2,175	1,050
	1,479,712	1,637,878
DEDUCT: Estimated Emergency Gold Mining Assistance	400,383	186,183
	1,079,329	1,451,695
	393,981	703,958
OTHER INCOME:		
Interest	37,826	15,127
Dividends	340	—
	38,166	15,127
	432,147	719,085
OTHER EXPENSES:		
Depreciation	204,640	196,291
Stations, passes and ventilation raises	—	7,604
Amortization of deferred development	19,913	—
Exploration and prospecting:		
Consolidated Marcus	—	38,092
Other	31,740	24,985
	256,293	266,972
DEDUCT: Charge to subsidiary for use of plant	35,185	—
	221,108	266,972
Income before provision for undernoted taxes	211,039	452,113
Provincial mining tax	—	16,648
Taxes on income deferred to future years	—	11,300
		27,948
Income before undernoted tax recovery	211,039	424,165
Income taxes recoverable by application of the loss for tax purposes for 1964 against the taxable income for 1963	—	74,107
NET INCOME FOR YEAR (note 4)	\$ 211,039	\$ 498,272

COCHENOUR WILLANS GOLD MINES. LIMITED

Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1965

(With comparative figures for 1964)

	1965	1964
SOURCE OF FUNDS:		
By operations:		
Net income for year	\$ 211,039	\$ 498,272
ADD: Expenses which did not involve an outlay of funds:		
Depreciation	204,640	196,291
Amortization of deferred development	19,913	—
Taxes on income deferred to future years	—	11,300
	435,592	705,863
Proceeds from sale of capital stock (net)	1,666,197	—
Proceeds from sale of Consolidated Marcus Gold Mines Limited shares	—	7,463
Profit on disposal of government bonds	6,841	10,064
Redemption of Balmertown debentures	5,000	5,000
Proceeds from sale of fixed assets	3,320	13,177
Proceeds from sale of surface rights	—	1,900
	2,116,950	743,467
APPLICATION OF FUNDS:		
Development expenditures incurred for shares:		
Consolidated Marcus Gold Mines Limited	27,371	30,239
Wilmar Mines Limited	248,155	124,003
Annco Mines Limited	191,204	186,667
	466,730	340,909
Dividends paid	334,066	297,465
Additions to buildings, machinery and equipment	255,220	130,183
Deferred development	199,132	—
Expenditures with respect to Cochenour Explorations Limited	32,437	—
Advances to Consolidated Marcus Gold Mines Limited	2,025	2,600
Exchange of bonds deposited under power contract (net)	749	—
	1,290,359	771,157
INCREASE (DECREASE) IN WORKING CAPITAL	826,591	(27,690)
Working capital at beginning of year	603,084	630,774
WORKING CAPITAL AT END OF YEAR	\$1,429,675	\$ 603,084
Current assets	\$1,798,407	\$ 927,213
Current liabilities	368,732	324,129
	\$1,429,675	\$ 603,084

COCHENOUR WILLANS GOLD MINES, LIMITED

Auditors' Report

To the Shareholders of

Cochenour Willans Gold Mines, Limited:

We have examined the balance sheet of Cochenour Willans Gold Mines, Limited as at December 31, 1965 and the statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statements of income and retained earnings present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in the working capital of the company for the year ended December 31, 1965.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Chartered Accountants.

Toronto, Canada,

April 15, 1966.

COCHENOUR WILLANS GOLD MINES, LIMITED

Financial Highlights

	<u>1965</u>	<u>1964</u>
Total Income, Bullion, Interest, EGMA, etc.	\$1,947,044	\$2,356,963
Net Earnings	211,039	498,272
Dividends Declared	334,066	297,465
Capital Expenditures (net)	255,220	117,006
Depreciation	204,640	196,291
Shaft Deepening and Passes ..	199,132	—

How the Income Dollar Was Distributed

	<u>1965</u>	<u>1964</u>
Employee Compensation	46.7¢	43.7¢
Material and Supplies	15.9¢	14.4¢
Hydro Power	3.2¢	3.2¢
Other Costs and Expenses	11.2¢	8.1¢
Exploration	1.6¢	2.7¢
Depreciation	10.5¢	8.3¢
Retained in business as surplus	—6.3¢	8.5¢
Taxes	—	—1.5¢
DIVIDENDS	17.2¢	12.6¢

Summary

Revenue:	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>
Gold and Silver Sales	\$1,473,310	\$2,155,653	\$2,832,653	\$2,862,137	\$2,824,597
Interest	38,166	15,127	24,452	22,458	23,969
E.G.M.A. (estimated)	400,383	186,183	—	—	—
Subsidiary Company use of plant	35,185	—	—	—	—
TOTAL REVENUES	\$1,947,044	\$2,356,963	\$2,857,105	\$2,884,595	\$2,848,566

Costs and Expenses:

Employee Compensation *	908,901	1,030,539	1,041,222	999,591	998,855
Material and Supplies	309,881	338,320	353,249	343,786	366,820
Power (Hydro)	63,113	74,504	79,004	66,392	69,203
Diamond Drilling (Contract)	84,175	73,943	113,403	91,941	94,993
Other Expense	64,818	66,814	59,449	50,736	65,916
Head Office	48,824	42,119	41,039	36,007	40,930
Depreciation	204,640	196,291	210,249	195,346	188,742
Deferred Development	19,913	7,604	25,070	26,506	2,299
Exploration	31,740	63,077	211,257	202,319	90,229
Taxes (Federal, Provincial and Municipal)	—	(Cr. 34,520)	169,181	300,250	266,393
Total Costs and Expenses	\$1,736,005	\$1,858,691	\$2,303,123	\$2,312,874	\$2,184,380
NET INCOME	211,039	498,272	553,982	571,721	664,186
Paid as Dividends	334,066	297,465	416,452	416,452	416,452
Retained in business	(123,027)	200,807	137,530	155,269	247,734

* Includes Workmen's Compensation, U.I.C., Holidays, Pensions, Etc.

COCHENOUR WILLANS GOLD MINES, LIMITED

Report of the General Manager

To the Chairman of the Board and Directors,
Cochenour Willans Gold Mines, Limited,
TORONTO, Ontario.

Gentlemen:

I submit for your consideration this report on the operations of your Company and developments on its subsidiary companies for the year 1965.

During the year 1965 your mine produced 38,966.713 ounces of gold and 2,134.03 ounces of silver from 93,617 tons of ore milled averaging 0.416 ounces of gold recovered per ton. The total value of this bullion was \$1,473,310 for an average of \$15.74 per ton milled. The price paid by the Royal Canadian Mint is based on \$35.00 per ounce U.S. funds and payments are made in Canadian funds at current exchange rates. The price received for gold averaged \$37.73 Canadian per fine ounce and for silver \$1.39 per ounce.

Ancco Mines Limited commenced shipping ore on June 1st, 1965 to the Cochenour mill on a limited break-in basis. During the seven-month period this amounted to 10,053 tons averaging 0.57 ounce per ton for a production of 5,194.314 ounces of gold and 262.05 ounces of silver valued at \$196,264.

Your company qualified for Emergency Gold Mining Assistance and revenue estimated to be received under the provisions of this Act is \$400,383 or \$10.27 per ounce of gold. In addition \$35,185 was received from Ancco for the use of plant facilities.

From the inception of milling the Cochenour mine has milled 1,902,193 tons of ore for a total value of \$39,271,909 or \$20.64 per ton. The all-time average recovered grade is 0.568 ounces gold per ton.

No. 1 Cochenour shaft was deepened 522 feet during the year to the ultimate depth of our present hoisting facilities and the ore and waste pass system has been connected with the upper pass system.

Your mine is undergoing a series of operational adjustments as the nature of the ore structures change. As reported last year the high grade North/South ore structures weakened below the 15th level, and the major portion of the high grade west zone has migrated into the property of our subsidiary Ancco Mines Limited. Extensions of the West zone have been found to the northwest and this area is open. Development of the chert ores is underway and in future will supply an increasing tonnage of the Cochenour ore.

COSTS:

During the year 180,483 tons were hoisted, of which 93,617 tons were ore from Cochenour and 10,053 tons were ore from Ancco. The balance of 76,813 tons were waste rock excavated in the course of mining, development and shaft sinking on Cochenour proper, Ancco and Wilmar.

While the Cochenour development cost was down due to a reduced development advance, operating costs were basically affected by a further increase in Federal Sales Tax, and hourly wage rates were increased by 5 cents per hour to all hourly rated employees effective April 16th, 1965. Some skilled trade rates were also adjusted. Other items were higher costs for many mining and milling supplies.

SCHEDULE OF OPERATING COSTS

	1965			1964	
	Total	Per Ton Milled	Per Ounce	Per Ton Milled	Per Ounce
Development	\$ 333,834	\$ 3.566	\$ 8.567	\$ 4.031	\$ 7.212
Mining	597,651	6.384	15.337	6.357	11.374
Milling	280,748	2.999	7.205	3.085	5.522
General and Administrative	256,648	2.741	6.586	2.447	4.378
Marketing	10,831	.116	.278	.151	.271
TOTAL OPERATING COSTS ...	\$1,479,712	\$ 15.806	\$ 37.973	\$ 16.071	\$ 28.757
Deduct Est. E.G.M.A.	400,383	4.277	10.275	1.827	3.269
NET OPERATING COSTS	\$1,079,329	\$ 11.529	\$ 27.698	\$ 14.244	\$ 25.488

COCHENOUR WILLANS GOLD MINES, LIMITED

MINE DEVELOPMENT:

1965 continued to be another year of heavy development with the total development approximately the same as last year — 21,819 feet plus 522 feet of shaft deepening at No. 1 Shaft.

Cochenour footage was down 3,310 feet, while Annco was up 813 feet and Wilmar 2,313 feet.

The year provided extensions to the West Zone on the Cochenour property on the 1675 and 1550 level horizons. Toward the end of the year a very important chert ore body was exposed some 1700 feet west of the No. 1 shaft with grade better than any of the previously exposed cherts.

On the Annco property essentially all the ore blocks above the 2050 foot horizon have been developed for mining.

Stope development and production of the Annco structures started in June of 1965, on the basis of shrinkage methods. A heavy dilution of the ore developed which precipitated an immediate decision to change mining procedures to cut-and-fill method using classified mill tailings. This set-back forced previously projected production plans to be delayed.

Facilities for providing hydraulic backfill were undertaken immediately but not completed until the latter part of April, 1966.

We are grateful to other operators in the Red Lake area who shared their experience and sound mining practices to assist us in this change.

The following table outlines the work completed during the year.

Levels	Drifts	Crosscuts	Raises	Stations	Totals
150	244	448	—	—	692
275	251	—	—	—	251
375	141	—	—	—	141
575	—	—	—	—	—
875	188	—	—	—	188
975	42	—	379	—	421
1075	452	—	470	—	922
1175	—	—	42	—	42
1300	36	44	209	—	289
1400	86	—	34	—	120
1550	720	959	440	—	2,119
1675	1,241	503	998	—	2,742
1800	574	118	234	—	926
1925	373	—	415	—	788
2050	—	475	—	—	475
TOTAL COCHENOUR:	4,348	2,547	3,221	—	10,116
1300 Wilmar	1,354	—	619	—	1,973
2050 Wilmar	1,226	492	—	—	1,718
Wilmar Stations	—	—	—	95	95
Wilmar Loading Pocket	—	—	111	—	111
TOTAL WILMAR:	2,580	492	730	95	3,897
1675 Annco	227	—	189	—	416
1800 Annco	63	—	746	—	809
1925 Annco	915	102	723	—	1,740
2050 Annco	674	779	793	—	2,246
TOTAL ANNCO:	1,879	881	2,451	—	5,211

COCHENOUR WILLANS GOLD MINES, LIMITED

DEFERRED DEVELOPMENT:

Levels	Drifts	Crosscuts	Raises	Stations	Totals
505 Ventilation Raise	—	—	162	—	162
1925 Hoist Room	—	—	—	177	177
2005 Waste Pass	—	—	80	—	80
2200 Waste Pass	—	—	142	—	142
2200 Ore Pass	—	—	160	—	160
2348 Waste Pass	—	—	195	—	195
2348 Ore Pass	—	—	187	—	187
2348 Station	—	—	—	42	42
2486 Ore Pass	—	—	194	—	194
2486 Waste Pass	—	—	192	—	192
2486 Station	—	—	—	42	42
2624 Ore Pass	—	—	195	—	195
2624 Waste Pass	—	—	194	—	194
2624 Station	—	—	—	88	88
2624 Sump	—	—	—	275	275
2675 Loading Pocket	—	—	—	58	58
2675 Ore Pass	—	—	122	—	122
2675 Waste Pass	—	—	87	—	87
TOTAL DEFERRED:	—	—	1,910	682	2,592
TOTAL ALL DEVELOPMENT	8,807	3,920	8,312	777	21,816

For comparison purposes the footages for the past year and those of the four previous years are set out below:

	1965	1964	1963	1962	1961
Drifting	4,348	7,400	7,041	7,140	4,942
Crosscutting	2,547	2,475	2,426	1,101	5,421
Raising	3,221	6,104	5,026	4,573	3,695
Deferred Development	2,592	38	1,046	358	146
Wilmar Crosscut	492	1,584	1,265	778	1,913
Wilmar Drifting	2,580	—	—	—	—
Wilmar Raising	730	—	—	—	—
Wilmar Stations	95	—	—	—	—
Marcus Crosscut	—	295	4,322	4,234	1,189
Annco Crosscut	881	539	1,534	—	—
Annco Drifting	1,879	2,696	—	—	—
Annco Raising	2,451	1,163	—	—	—
	21,816	22,294	22,660	18,184	17,306

DIAMOND DRILLING:

	1965	1964	1963	1962	1961
Cochenour Underground	57,463	68,270	89,720	85,251	91,978
Cochenour Surface	7,531	2,930	6,903	—	—
Wilmar Underground	18,871	9,839	24,992	25,042	18,554
Wilmar Surface	—	—	11,822	—	—
Annco Underground	26,580	41,796	4,590	—	—
Marcus Underground	8,042	21,272	—	—	—
TOTAL ALL DRILLING	118,487	144,107	138,027	110,293	110,532

COCHENOUR WILLANS GOLD MINES, LIMITED

DIAMOND DRILLING EXPLORATION:

The property breakdown on drilling footages is set out in the preceding table. There was a substantial decrease in the total footage drilled compared to the two previous years. A shortage of drillers and reduced requirements resulted in this decrease.

Most of the drilling is still concentrated on the Cochenour property where drilling programs have been exploring for missing faulted ore blocks, evaluating the footwall chert structures, and exploring for extensions of the West Zone Carbonates to the west and up and down dip. These programs will continue in the current year.

The surface drilling on the Cochenour was a program directed at an area to the west and north of the Cochenour No. 1 shaft. Several encouraging intersections were encountered and underground development on the first level has located several blocks of moderate grade ore.

The substantial increase in the Wilmar diamond drilling footage reflects the exploration programs being conducted on the 1300 and 2050 foot horizons of this property.

Drilling on the Annco property in 1965 was mainly necessary to finish blocking out the indicated ore above the 2050 foot horizon. Depth exploration drilling on this property has been successful and will continue following lower level drift development.

The Marcus drilling program was resumed after a period required to repair ground conditions in the long access drift. The exploration drilling was concentrated in the northeast section of the property.

MINING:

The mill feed was supplied from the mining of 83 stopes which produced 84,401 tons of ore averaging 0.47 ounces of gold per ton and from 75 development headings which produced 9,216 tons of ore averaging 0.34 ounces of gold per ton.

It will be noted that average production per stope on the Cochenour is roughly 1,000 tons, which continues to illustrate the limited size of individual mining blocks due to severe faulting movement. These factors continue to preclude any accurate estimation of ore reserves.

There was also mill feed supplied by the Annco from the mining in 14 stopes which produced 7,864 tons of ore averaging 0.61 ounces of gold per ton and from 12 development headings which produced 2,189 tons of ore averaging 0.43 ounces of gold per ton.

Mine ore is drawn from several areas. A breakdown of the source of ore follows:

MINE SOURCE OF ORE

	Tons	% Total Tons	Grade
Upper Levels	889	.9	.39
South Area — Cherts	204	.2	.44
— Shears	8,133	7.8	.92
West Area	47,100	45.4	.44
West Carbonate Area	35,225	34.0	.41
Other Development	2,066	2.0	.22
Annco Mine	10,053	9.7	.57
	<u>103,670</u>	<u>100.0%</u>	<u>.47</u>

THE WEST AREA:

This area continued to provide the major production of the Cochenour Mine. Compared with the previous year, tons produced is up slightly from 77,753 tons to 79,335 tons and the grade is down from 0.56 ounces gold per ton to 0.43 ounces gold per ton. Mining operations in the easterly section of the West Area was of a clean-up nature in higher grade structures and experimental mining and development of lower grade North/South and Chert ore structures. This mining produced 44,110 tons, grading 0.44

COCHENOUR WILLANS GOLD MINES, LIMITED

ounces gold per ton. Mining operations in the carbonate structure of the westerly part of the West Area produced 35,225 tons, grading 0.41 ounces gold per ton. Continued exploration has been successful in locating extensions of this zone up to the 9th level and down to the 20th level.

The West Area on the Cochenour will continue to produce the major part of the mine ore. Large tonnages of low grade ore are developed in North/South and Chert structures. Several carbonate diamond drill hole intersections indicate considerable tonnage potential of moderate grade. Anticipated grade for 1966 from this West Area is 0.40 to 0.45 ounces gold per ton.

THE SOUTH AREA:

Production from the high grade Fault-Shear ore structures was 8,133 tons, grading 0.92 ounces gold per ton. Mining operations consisted of cleaning up pillars and sills of previous stopping areas between the 8th and 11th levels. Considerable diamond drilling exploration was not successful in locating more of these high grade structures and this area has been idle for several months.

Production from the chert structures was limited to a few development headings and stopping attempts. Drift development and exploration was completed on the 15th and 16th levels. Numerous faulted blocks of chert structures were located, but further development and mining has had to await completion of the mill expansion.

UPPER LEVELS:

The program of systematic clean-up and examination of old workings, supplemented by limited diamond drilling and development for missing ore blocks and remnants was discontinued early in the year as mine labour was required for the development of the Annco property. Once production from the Annco and the lower levels of the Cochenour mine becomes stabilized, this program will be started again.

Production from the Upper Levels in 1965 was 889 tons grading 0.39 ounces gold per ton.

MILLING AND METALLURGY:

There was no major change in the milling practice during the past year. Provisions for future change were undertaken.

Last year we reported results of laboratory test work which indicated better extraction could be attained if all ore milled was treated by cyanidation following flotation. On the basis of these findings and commencing in August of 1965, construction to extend the mill was commenced and has continued throughout the year. This enlarged mill, coupled with basic changes in the grinding circuit, will accommodate an increase in tonnage to 400 tons and provide treatment of all of the ore milled by cyanidation. Essentially all construction and equipment installations are completed. The new mill unit will be ready for increased tonnage in May, 1966. Backfill tank and equipment to provide classified mill tailings for mining operations was also completed.

Throughout the year, ore alteration has continued with the sulphide ore becoming more a source of values. This type of ore is, of its nature, refractory, and is less amenable to extraction. This fact coupled with a lower grade of ore has reduced the percentage recovery.

Results of milling operations are set out below with comparative figures of the preceding year.

	1965	1964
Tons Milled	103,670	101,910
% Operating Time of Total Time	98.69%	98.32%
Average Daily Tons Milled	284	278.4
Average Gold Assay of Head Troy Ounces	0.472	0.600
Average Gold Assay of Tails Troy Ounces	0.047	0.041
Percentage Extraction	90.19%	93.16%

COCHENOUR WILLANS GOLD MINES, LIMITED

CAPITAL EXPENDITURES:

Net Mine Capital Expenditures for the year totalled \$255,220 of which \$108,012 was for Buildings and \$147,208 was for Machinery and Equipment.

The main expenditures included:

BUILDINGS:

- Mill Extension 48' x 138' 6" Addition.
- Cafeteria 40' x 55' completed.
- 3 Employee Residences for Indian employees.
- 2 Employee Residences (purchased).

EQUIPMENT:

Mill:

- 3 25 KVA Transformers.
- 1 CIR Compressor C/W 50 H.P. Motor.
- 1 CIR Vacuum Pump C/W 25 H.P. Motor.
- 5 Wood Stave Tanks and Drives.
- 1 Wood Stave Fine Ore Bin.
- 2 Banks of 4 cells each #18 Special Denver Sub-A Flotation Machines.
- 2 Kreb Cyclones.
- 1 Kreb Cyclone for backfill.
- 2 CAC SRL Pumps.
- 2 Type VM Dorrco Pumps.
- 1 CAC PL Pump.
- 2 Type L Centrifugal Pumps.

Hoist:

- 1 Complete set of Lagging for two drums grooved suitable for $\frac{7}{8}$ " rope for C.I.R. Hoist 72" x 48".

UNDERGROUND:

- Grizzlies and Chain Gate Controls for 4 levels.
- Loading Pocket for 2675 Loading Station.
- 1 Silicon Mine Locomotive Charger.
- 1 Atlas 2½ Ton Mine Locomotive complete with Battery.
- 1 Eimco 12B Mine Car Loader.
- 2 Pacific Slushmaster Scrapers 30".
- 4 Size "O" Single Drum Tuggers.
- 2 C.I.R. J-38 Stoppers.

PUMP HOUSE:

- 1 Norch Chlorinator for Main Water Supply.

THE ANNCO EXPLORATION:

The property of Ancco Mines Limited is located to the south of and adjacent to the central part of the Cochenour Willans property. The underground exploration and development of this property commenced in 1963 and a zone of gold bearing ore structures has been established from the 1550 foot horizon to the 2050 foot horizon.

COCHENOUR WILLANS GOLD MINES, LIMITED

In 1965 development — consisting of drifting, raising and stope sub-drifting, totalled 5,211 feet of advance plus slashing. Diamond drilling exploration totalled 26,580 feet during the year.

Essentially all the ore blocks above the 2050 foot horizon have been developed for mining. The original tonnage estimated to be 150,000 tons of ore above the 2050 foot horizon is now considered proven. An additional 50,000 tons of ore is considered probable above the 2050 horizon.

On June 1st, 1965 the Annco mine commenced shipping ore to the Cochenour mill on a limited break-in basis. From June 1st to December 31st, 1965 development and experimental mining muck taken for ore to be milled averaged 0.57 ounces gold per ton for 10,053 tons.

Ground conditions in the highly talcose ore zones caused considerable dilution and therefore shrinkage mining methods were deemed unsuitable. To assure safe mining practice, grade control and overall cost control, the need for change to a cut-and-fill method of mining using classified mill tailings became apparent. The decision having been made it was necessary to revise previously projected production tonnages until facilities to provide hydraulic backfill could be installed and ground conditions were stabilized. The fill system will be operating in May, 1966.

With the introduction of cut-and-fill mining, which provides for better grade control, the grade of Annco ore is expected to mine out between 0.60 to 0.70 ounces gold per ton.

Recent exploration below the 2050 foot horizon has been successful in locating an estimated 50,000 tons of probable ore down to the 2200 foot horizon, 35,000 tons of which is within one stoping block. Additional depth extensions are considered likely, but at the present time there is not sufficient information to predict major extensions. It is still unknown whether the peridotite dyke located to the south of the southwest dipping ore zones will adversely affect major depth extensions. Exploration on lower horizons will be conducted from crosscuts to be advanced from the Cochenour No. 1 Shaft.

In 1965 an exploration crosscut was driven through the peridotite dyke on the 2050 foot horizon. Exploration drilling from this crosscut has, so far, failed to locate any ore zones. This depth drilling program will continue.

THE WILMAR EXPLORATION:

The underground exploration of this property commenced in 1959 with the driving of a long drift on the 1300 foot horizon into the central section of the Wilmar property from the Cochenour Willans No. 1 shaft. Subsequent exploration located several zones of gold-silver mineralization of economic character. Extensive development and exploration have been conducted to establish the continuity, grade and tonnages of the indicated mineralized structures. While this work has accumulated considerable information, the marginal grade and apparent limited continuity of individual mineralized structures requires that extreme care be taken in evaluating the production economics.

During 1965 and continuing in 1966 the exploration program was designed to establish the known mineralized zones and to search for new "ore" zones. The Red Lake gold camp, it should be noted, is well known for a high grade tenor of ore at many of its producing mines. The possibility of locating higher grade mineralization on the Wilmar and thus enhancing a production decision is very good.

To explore the potential west area of the Wilmar property a drive is being driven on the 1300 foot horizon. This drift advanced 1,354 feet in 1965. Diamond drilling exploration from this section of the drift did not encounter any significant mineralized structures. Subsequent work in 1966 advanced this drift another 385 feet and a mineralized "Granodiorite-Talc Schist" complex was encountered. The complex is approximately 120 feet wide and has been explored for a length of 400 feet and remains open on strike to the southwest. Many high grade gold-silver diamond drill intersections have been obtained in this complex, but it must be noted that the mineralization is associated with a multi-directional, fracture-following quartz tourmaline vein system, in which it appears any one vein has limited continuity. Further development to evaluate this structure is proposed. Exploration will be continued to the southwest into the favourable, highly folded area of the property.

The depth exploration program on this property commenced early in 1965 following the completion of the Wilmar winze. Drifting advance on the 2050 foot horizon totalled 1,749 feet during the year.

COCHENOUR WILLANS GOLD MINES. LIMITED

Development and exploration of the "Diorite Dyke" structure failed to locate any persistent mineralization. Some erratic visible gold occurrences were found and diamond drilling on this horizon along a length of 1,000 feet only located scattered low grade values.

Drifting and diamond drilling exploration along the "Breccia-Talc Schist" contact on the 2050 foot horizon encountered three mineralized zones in the "Breccia". First results indicated the grade of the "Breccia" zones to be quite low, in the 0.10 to 0.15 ounce gold per ton range. However, subsequent exploration in 1966 has produced some encouraging results and an estimated grade of 0.30 to 0.40 ounces gold per ton is now considered possible. Tonnage potential of the "Breccia" Zones at this horizon is estimated to be approximately 700 tons per vertical foot. A raise from the 2050 foot horizon being driven at the time of writing to investigate a good diamond drill hole intersection has been in ore for 100 feet. Grade of ore has been of the highest tenor seen to date in the Wilmar.

To establish the continuity of all known mineralized zones on the 1300 foot horizon a program of raising and detailed diamond drilling was undertaken in 1965 and completed by March 1966. Total raise advance in 1965 was 622 feet. The vertical continuity of the individual mineralized blocks varied considerably. One block only persisted for 30 feet and the mineralization then became low grade and erratic, while another block was still strong at a vertical height of 150 feet above the 1300 horizon. In general, it can be stated that the vertical continuity of the mineralization is not as good as the horizontal continuity.

Revised calculations of the 1300 foot horizon mineralized zones indicates a tonnage potential of 1419.3 tons per vertical foot grading 0.28 ounces gold per ton with an estimated silver content of 1.72 ounces silver per ton.

THE CONSOLIDATED MARCUS EXPLORATION:

The underground diamond drilling program on the 1300 foot horizon was continued. A total of 8,042 feet was drilled during 1965, compared to a total of 21,272 feet drilled during 1964.

A limited drilling program explored the west section of the property in the area underlying the old Marcus Shaft Zone. Results from this drilling are considered unfavourable, but a few isolated gold bearing structures were encountered.

In the central section of the property a series of diamond drill holes were drilled to evaluate several mineralized chert structures but only erratic low-grade gold values were encountered.

Most of the year's drilling was concentrated in the northeast section of the property. Several interesting gold bearing vein structures have been encountered but as yet efforts to prove continuity of values have failed. Geologically this area of the property is deemed favourable for gold deposition and continued diamond drilling is required to explore this large area. A depth exploration drilling program is contemplated for 1966.

OUTSIDE EXPLORATION:

The discovery of nickel-copper and copper-zinc-lead-silver mineralization of some economic significance in the Trout Bay area of Red Lake sparked a continuing prospecting program over the last several years.

The geological environment of the Red Lake greenstone belt is considered favourable for base metal deposition and it should be noted that base metal deposits have been found in similar geological environments in the Timmins, Mattagami, Noranda and Chibougamau areas.

To provide a basis for future exploration, your company entered into an arrangement with Selco Exploration Company Limited under which selected areas of the Red Lake greenstone belt, including claims presently held by the company, were surveyed by airborne electromagnetic and magnetometer equipment. Numerous conductive anomalies were located across a belt approximately 30 miles long and a claim staking program was carried out to acquire all the favourable ground open to staking. As a result 912 claims (approximately 36,500 acres) were held.

COCHENOUR WILLANS GOLD MINES, LIMITED

Since a broad saturation exploration program was deemed necessary to evaluate the anomalies, a new company, Cochenour Explorations Limited, was created and all claims except those of the Trout Bay area have been sold to the new company. The number of claims sold was 752. Five drills are under contract for the summer's drilling program.

EMPLOYEES:

In 1965, the Cochenour mine qualified for the Award of Merit in the Mines Accident Prevention Association of Ontario campaign for the Prevention of Haulage Injuries and the National Safety Council Award of Merit for Recognition of Good Industrial Safety Record.

The Cochenour Employees Pension Trust (an irrevocable trust fund held by a corporate trustee) continues to reflect steady growth. The book value of the fund was \$458,738 with a market value of \$478,343 at March 31st, 1966, the trust fund year end.

With a severely tightened labour supply across Canada, an increase in job-jumping becomes apparent as more employees take advantage of the tight labour situation to seek new jobs offering better wage rates or salaries, or more benefits. The fact of having provided good housing and a Pension Plan at Cochenour has done much to resist this movement so far, but the pressure has had some detrimental effect on holding highly skilled miners. It is difficult to anticipate the future situation as the pressure for skilled tradesmen and miners from all parts of Canada is still very apparent.

APPRECIATION:

The continual rise in costs of labour, supplies, services and taxes beyond control of the industry has placed exacting demands on the resourcefulness of Mr. Jeffries, the Mine Manager, the department heads and employees. It is indeed a pleasure to record appreciation of their efforts and loyalty to the company.

The support and guidance of the Chairman of the Board, the Board of Directors and Mr. W. F. Brown, Consultant, is gratefully acknowledged.

Respectfully submitted,

J. E. J. FAHLGREN,
General Manager.

Cochenour, Ontario,
April 25th, 1966.

Consolidated Marcus Gold Mines Limited



AUDITORS' REPORT

To the Shareholders of
Consolidated Marcus Gold Mines Limited:

We have examined the balance sheet of Consolidated Marcus Gold Mines Limited as at December 31, 1965 and the statement of deferred expenditures for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statement of deferred expenditures present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Chartered Accountants.

Toronto, Canada,
April 15, 1966.

Consolidated Marcus Gold Mines Limited

(Incorporated under the laws of the Province of Ontario)

Balance Sheet — December 31, 1965

ASSETS

CURRENT ASSETS:

Cash \$ 139

MINING CLAIMS, acquired by the issue of 2,999,995 shares of the capital stock of
the company valued at 299,999

OTHER ASSETS:

Deferred expenditures \$ 85,417
Incorporation and organization expenses 3,795 89,212

\$ 389,350

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued charges \$ 195
Payable to Cochenour Willans Gold Mines, Limited with respect to incorpora-
tion and organization of the company and transfer of the mining claims 4,539 \$ 4,734

FUNDS ADVANCED OR EXPENDED BY COCHENOUR WILLANS GOLD MINES, LIMITED
since the inception of the company for exploration, development and adminis-
trative expenses (note 1) 27,002

31,736

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 2):

Authorized, 4,000,000 shares of \$1.00 each
Issued or to be issued, 3,057,610 shares 3,057,610
Deduct Discount thereon 2,699,996 357,614

\$ 389,350

The accompanying notes are an integral part of this statement.

Approved by the Board of Directors:

E. C. COCHENOUR, Director.

FRED J. MILLS, Director.

This is the balance sheet referred to in our report to the shareholders dated April 15, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Chartered Accountants.

Consolidated Marcus Gold Mines Limited

Statement of Deferred Expenditures

Year ended December 31, 1965

Deferred expenditures at beginning of year	\$ 56,388
EXPLORATION AND DEVELOPMENT (note 2) :	
Diamond drilling	27,371
ADMINISTRATIVE EXPENSES:	
Acreage and municipal taxes	\$265
Annual report	298
Audit	150
Directors' fees	75
Legal fees	75
Stock exchange fees	100
Taxes and government fees	30
Transfer agent's fees and expenses	665
	<u>1,658</u>
DEFERRED EXPENDITURES AT END OF YEAR	<u>\$ 85,417</u>

Notes to Financial Statement

Year ended December 31, 1965

1. FUNDS ADVANCED OR EXPENDED BY COCHENOUR WILLANS GOLD MINES, LIMITED:

Under the terms of the agreement whereby the company acquired its mining claims, as amended August 15, 1961, 1,999,995 escrowed shares of the capital stock of the company were issued to Cochenour Willans Gold Mines, Limited, of which 1,750,000 shares have been released from escrow and the remaining 249,995 shares are to be released when Cochenour Willans Gold Mines, Limited has caused the company to bring the mining claims into production. The company also agreed to repay to Cochenour Willans Gold Mines, Limited, after the mining claims have been brought into production and before payment of any dividends, certain moneys expended by Cochenour Willans Gold Mines, Limited, and all moneys advanced by it, together with simple interest thereon at the rate of 4% per annum to the date of payment. At December 31, 1965 such expenditures and advances amounted to \$68,801 of which \$41,799 has not been provided for in the accompanying balance sheet.

2. CAPITAL STOCK:

Shares issued or to be issued are as follows:

	No. of shares and par value	Discount	Net
Balance at beginning of year	\$3,030,239	\$2,699,996	\$ 330,243
Less Shares to be issued in 1965 included therein	30,239		30,239
	<u>3,000,000</u>	<u>2,699,996</u>	<u>300,004</u>
Issued during year:			
For 1964 expenditures	30,239		30,239
For 1965 expenditures	19,761		19,761
	<u>50,000</u>		<u>50,000</u>
To be issued for 1965 expenditures	7,610		7,610
BALANCE AT END OF YEAR	<u>\$3,057,610</u>	<u>\$2,699,996</u>	<u>\$ 357,614</u>

Under the terms of an agreement dated October 1, 1965 Cochenour Willans Gold Mines, Limited is committed to expend \$10,000 on prospecting, exploration and development within approximately six months for which it is to receive 10,000 shares of the company. As at December 31, 1965 Cochenour Willans Gold Mines, Limited had expended \$7,610 and was entitled to receive 7,610 shares.

Under the terms of a subsequent agreement dated January 17, 1966 Cochenour Willans Gold Mines, Limited is committed to expend an additional \$25,020 on prospecting, exploration and development within approximately one year, for which it is to receive 41,700 shares of the company valued at 60¢ per share.

Wilmar Mines Limited



AUDITORS' REPORT

To the Shareholders of
Wilmar Mines Limited:

We have examined the balance sheet of Wilmar Mines Limited as at December 31, 1965 and the statement of deferred expenditures for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statement of deferred expenditures present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

Toronto, Canada,
March 11, 1966.

Wilmar Mines Limited

(Incorporated under the laws of the Province of Ontario)

Balance Sheet — December 31, 1965

ASSETS

CURRENT ASSETS:

Cash		\$	1,323
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FIXED ASSETS:

Equipment, at cost	\$	2,009	
Mining claims, acquired by the issue of 1,000,000 shares of capital stock of the company valued at \$100,000 less claims sold		42,974	44,983

OTHER ASSETS:

Deferred expenditures		1,167,740	
Incorporation and organization expenses		3,596	1,171,336
			<u>\$1,217,642</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued charges	\$	285	
Payable to Cochenour Willans Gold Mines, Limited		6,879	\$ 7,164

SHAREHOLDERS' EQUITY

CAPITAL STOCK (see note):

Authorized, 3,000,000 shares of 95¢ each			
Issued or to be issued, 2,901,717 shares		2,756,631	
Deduct Discount thereon (net)		1,546,153	1,210,478
			<u>\$1,217,642</u>

The accompanying note is an integral part of this statement.

Approved by the Board of Directors:

E. C. COCHENOUR, Director.

J. R. MOONEY, Director.

This is the balance sheet referred to in our report to the shareholders dated March 11, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

Wilmar Mines Limited

Statement of Deferred Expenditures

Year ended December 31, 1965

Deferred expenditures at beginning of year		\$ 826,779
EXPLORATION AND DEVELOPMENT:		
Diamond drilling	\$ 50,746	
Drifting, raising and crosscutting	200,233	
Shaft sinking	85,867	336,846
ADMINISTRATIVE:		
Audit	250	
Directors' fees	825	
Legal fees and expenses	150	
Miscellaneous	68	
Office and administrative services	2,400	
Taxes and government fees	171	
Transfer agent's fees and expenses	251	4,115
DEFERRED EXPENDITURES AT END OF YEAR		<u>\$1,167,740</u>

Note to Financial Statement

Year ended December 31, 1965

CAPITAL STOCK

Shares issued or to be issued are as follows:	No. of shares	Par value	Discount (premium)
Balance at beginning of year	2,600,240	\$2,470,228	\$1,619,988
Less Shares to be issued in 1965 included therein	56,900	54,055	(2,845)
	<u>2,543,340</u>	<u>2,416,173</u>	<u>1,622,833</u>
Issued during year:			
For 1964 expenditures	31,900	30,305	(1,595)
For cash received in 1964	25,000	23,750	(1,250)
For 1965 expenditures	168,096	159,692	(45,904)
For cash received in 1965	99,333	94,366	(17,717)
	<u>324,329</u>	<u>308,113</u>	<u>(66,466)</u>
To be issued for 1965 expenditures	34,048	32,345	(10,214)
BALANCE AT END OF YEAR	<u>2,901,717</u>	<u>\$2,756,631</u>	<u>\$1,546,153</u>

An option to Martin-McNeely Mines Limited on 82,331 shares of the capital stock of the company at \$1.25 per share was outstanding as at December 31, 1965. Subsequent to the balance sheet date, this option was exercised with respect to 8,000 shares and the remainder was allowed to lapse.

Under the terms of certain agreements, Cochenour Willans Gold Mines, Limited expended \$205,595 during the year on prospecting, exploration and development of the company's property, for which it received 168,096 shares of Wilmar Mines Limited. By a further agreement, dated October 15, 1965, Cochenour Willans Gold Mines, Limited is committed to expend \$62,500 on prospecting, exploration and development within approximately six months, for which it is to receive 50,000 shares of the company valued at \$1.25 per share. As at December 31, 1965 Cochenour Willans Gold Mines, Limited had expended \$42,560 and was entitled to receive 34,048 shares.

Annco Mines Limited



AUDITORS' REPORT

To the Shareholders of
Annco Mines Limited:

We have examined the balance sheet of Annco Mines Limited as at December 31, 1965 and the statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statements of income and retained earnings present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in the working capital of the company for the year ended December 31, 1965.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Chartered Accountants.

Toronto, Canada,
April 15, 1966.

Annco Mines Limited

(Incorporated under the laws of the Province of Ontario)

Balance Sheet — December 31, 1965

ASSETS

CURRENT ASSETS:

Cash	\$	4,772	
Short-term note receivable and accrued interest		35,012	\$ 39,784

MINING CLAIMS, acquired by the issue of 1,166,663 shares of the capital stock of the company valued at			58,333
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DEFERRED DEVELOPMENT:

Balance at beginning of year		310,816	
Add Expenditures during year		234,248	
		545,064	
Deduct Amortization		28,592	516,472
			<u>\$ 614,589</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued charges	\$	580	
Payable to Cochenour Willans Gold Mines, Limited		9,832	\$ 10,412

SHAREHOLDERS' EQUITY

CAPITAL STOCK (see note):

Authorized, 3,000,000 shares of \$1 each			
Issued, 2,659,168 shares		2,659,168	
Deduct Discount thereon		2,068,580	
		590,588	

RETAINED EARNINGS		13,589	604,177
			<u>\$ 614,589</u>

The accompanying note is an integral part of this statement.

Approved by the Board of Directors:

E. C. COCHENOUR, Director.

J. R. MOONEY, Director.

This is the balance sheet referred to in our report to the shareholders dated April 15, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

Annco Mines Limited

Statement of Income

Year ended December 31, 1965

REVENUE:

Bullion production	\$ 196,264
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OPERATING EXPENSES:

Mining	\$ 58,565	
Milling	30,497	
Shipping and marketing	1,462	
Mine general	23,014	
Administrative	3,293	
Directors' fees	825	117,656
		<hr/> 78,608

OTHER INCOME:

Interest	238	
		<hr/> 78,846

OTHER EXPENSES:

Charge from parent company for use of plant	35,185	
Amortization of deferred development	28,592	63,777
		<hr/>

NET INCOME FOR YEAR	<u>\$ 15,069</u>
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Note to Financial Statement

Year ended December 31, 1965

CAPITAL STOCK

Shares issued are as follows:

	No. of shares and par value	Discount	Net
Balance at beginning of year	\$2,425,464	\$2,047,330	\$ 378,134
Less Shares to be issued in 1965 included therein	123,794	47,500	76,294
	<hr/> 2,301,670	<hr/> 1,999,830	<hr/> 301,840
Issued during year:			
For 1964 expenditures	123,794	47,500	76,294
For 1965 expenditures	191,204		191,204
For cash	42,500	21,250	21,250
	<hr/> 357,498	<hr/> 68,750	<hr/> 288,748
BALANCE AT END OF YEAR	<u>\$2,659,168</u>	<u>\$2,068,580</u>	<u>\$ 590,588</u>

As at December 31, 1965 Martin-McNeely Mines Limited, under the terms of certain agreements, had options to subscribe for 247,500 shares of the company at 50¢ per share (subsequently exercised) and 93,332 shares at \$1.00 per share.

Annco Mines Limited

Statement of Retained Earnings

Year ended December 31, 1965

Net income for year	\$ 15,069
Incorporation and organization expenses written off	1,480
RETAINED EARNINGS AT END OF YEAR	<u>\$ 13,589</u>

Statement of Source and Application of Funds

Year ended December 31, 1965

SOURCE OF FUNDS:

By operations:

Net income for year	\$ 15,069
Add Amortization of deferred development, which did not involve an outlay of funds	28,592
	<u>43,661</u>
Proceeds from sale of capital stock	21,250
	<u>\$ 64,911</u>

APPLICATION OF FUNDS:

Deferred development, cash expenditure	43,044
INCREASE IN WORKING CAPITAL	<u>21,867</u>
Working capital at beginning of year	7,505
WORKING CAPITAL AT END OF YEAR	<u>\$ 29,372</u>
Current assets	\$ 39,784
Current liabilities	<u>10,412</u>
	<u>\$ 29,372</u>

